



CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES

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Mark D. Birdwhistell
Secretary

Glenn Jennings
Commissioner

August 8, 2006

Dear Provider:

Hospital Letter # A-221


Enclosed is a second lump sum payment for the DRG enhancement as defined in the 2005/2006 State Budget and will apply toward the cost coverage for the universal rate year ending June 30, 2006.

The provider **tax** funds in excess of \$150 million were expended by federal matching **funds** to arrive at the overall pool of money to be returned to the hospitals. The DRG portion of the enhanced payments were calculated and distributed using the three steps below:

1. The initial lump sum payment was paid out on May 9, 2006 based on the DRG claims volume for dates of service July 1, 2005 through January 31, 2006 and were processed by April 28, 2006.
2. The prospective payments which were paid out using the increased relative weights for DRG claims processed **after** March 9th and with an admit date on or prior to June 30, 2006. The increased relative weights will continue for the DRG claims processed after June 30, 2006 with admit dates on or prior to June 30, 2006 and an estimated amount was calculated and set aside for payment of these claims.
3. The second lump sum payment (enclosed) is the remaining amount of the DRG portion of the provider tax money (the overall DRG pool less items #1 and #2 mentioned above) which was calculated and paid out proportionately based on a pro-ratio of the DRG claims volume for the entire year to the DRG hospitals.

After an adequate period of claims **runout**, there will be a review to ensure that all of the DRG enhancement **funds** were paid out appropriately. If you have any questions regarding this letter, please contact Barry A. **Ingram**, Director of Hospitals and Provider Operations at 502-564-6511.

Sincerely,


Glenn Jennings
Commissioner

GJ/BA/DB/tp



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